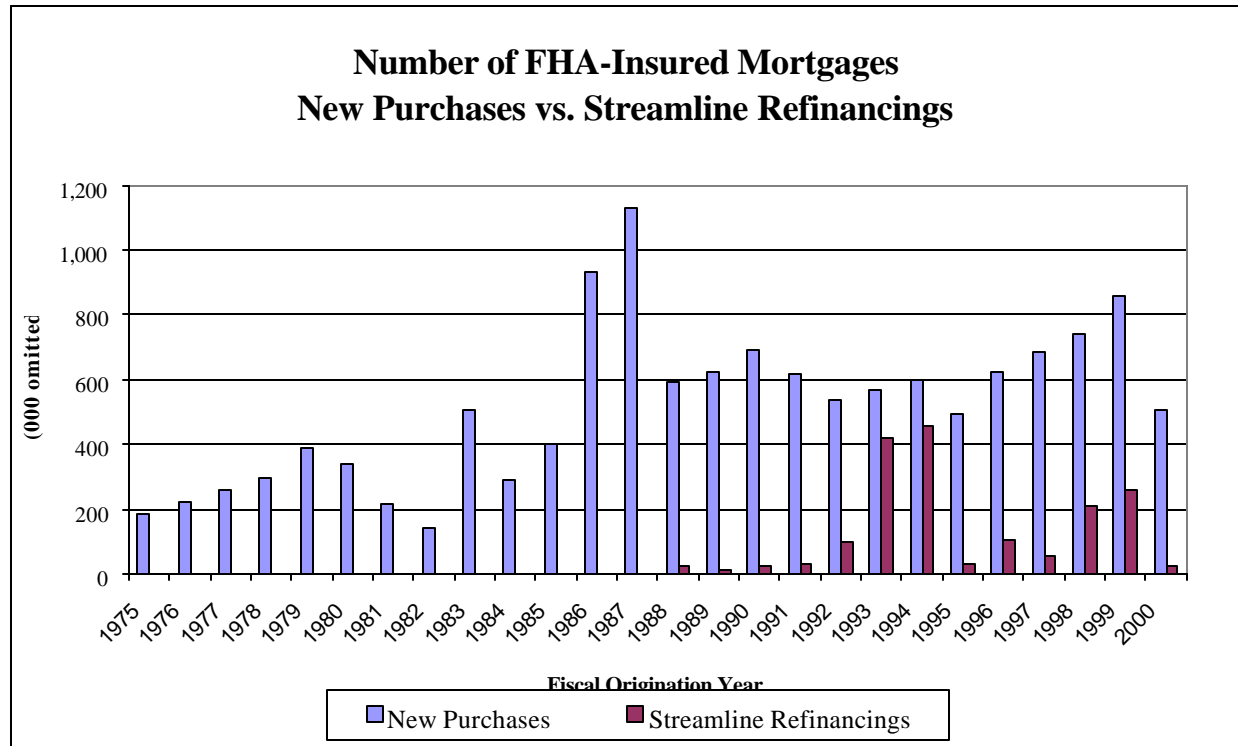


III. Characteristics of FY 2000 Book of Business

Volume of Mortgage Originations

Graph 1 shows the annual number of loan purchase originations and the annual number of Streamline refinancings (SRs) from FY 1975 to FY 2000.

Graph III.1



Note: (1) FY 2000 represents counts as of June 30, 2000, i.e., nine months.
 (2) New Purchases: 30-year fixed rate, 15-year fixed rate, and adjustable rate mortgages.
 (3) Streamline Refinancings: Streamline refinanced 30-year rate, 15-year rate and adjustable rate mortgages.

Table 1 shows the proportion of the different divisions that have historically made up FHA's book of business. The 30-year, fixed rate mortgages have historically accounted for the bulk of FHA's business and still constitute over 70%.

Table III.1

FHA-Insured Originations by Loan Type (Percent of FHA Mortgages by Dollar Volume)						
	Purchases, Mortgages and Other Refinancings			Streamline Refinancings		
Fiscal Origination Year	30-Year Fixed Rate	15-Year Fixed Rate	Adjustable Rate	30-Year Streamline	15-Year Streamline	Adjustable Streamline
1975	99.5%	0.5%	0.0%	0.0%	0.0%	0.0%
1976	99.6%	0.4%	0.0%	0.0%	0.0%	0.0%
1977	99.7%	0.3%	0.0%	0.0%	0.0%	0.0%
1978	99.8%	0.2%	0.0%	0.0%	0.0%	0.0%
1979	99.9%	0.1%	0.0%	0.0%	0.0%	0.0%
1980	99.8%	0.2%	0.0%	0.0%	0.0%	0.0%
1981	99.7%	0.3%	0.0%	0.0%	0.0%	0.0%
1982	99.4%	0.6%	0.0%	0.0%	0.0%	0.0%
1983	93.1%	6.9%	0.0%	0.0%	0.0%	0.0%
1984	93.5%	6.5%	0.0%	0.0%	0.0%	0.0%
1985	91.1%	8.8%	0.1%	0.0%	0.0%	0.0%
1986	89.7%	9.6%	0.7%	0.0%	0.0%	0.0%
1987	90.7%	7.9%	1.4%	0.0%	0.0%	0.0%
1988	87.5%	4.6%	4.4%	3.0%	0.4%	0.0%
1989	93.1%	3.5%	1.3%	1.9%	0.2%	0.0%
1990	92.3%	3.5%	0.7%	3.2%	0.3%	0.0%
1991	87.8%	4.0%	3.7%	3.8%	0.7%	0.0%
1992	67.9%	3.2%	13.6%	11.2%	2.8%	1.3%
1993	45.3%	2.4%	9.8%	30.4%	10.1%	2.0%
1994	41.2%	2.1%	13.4%	29.5%	11.3%	2.5%
1995	68.0%	1.8%	24.7%	3.1%	1.6%	0.7%
1996	62.7%	1.5%	21.6%	9.5%	2.9%	1.8%
1997	60.5%	1.4%	30.5%	4.1%	1.3%	2.2%
1998	66.1%	1.2%	10.4%	17.9%	2.3%	2.0%
1999	72.2%	1.2%	3.3%	19.4%	2.9%	0.9%
2000	83.8%	0.9%	10.7%	3.0%	0.7%	0.9%

Loan-to-Value Distributions

The ratio of amount of loan to value of property is a strong indicator of risk of claims. All else being equal, a higher Loan-to-Value ratio (LTV) results in a higher probability of negative equity. Table 2A and 2B shows the distribution of LTV category for all loan types combined and 30 year fixed rates loans, respectively. Table 3 shows the distribution of LTV category by loan type.

Table III.2A

Distribution of Originations by LTV Category <i>All Loan Types Combined</i> (Percent of Mortgages by Loan Count)									
Fiscal Origination Year	0- 75%	85- 90%	80- 90%	90- 95%	95- 97%	97- 98%	98- 100%	100- 105%	>105%
1975	3.0%	2.4%	14.9%	25.1%	26.8%	6.5%	16.7%	4.0%	0.5%
1976	2.2%	1.8%	10.2%	22.4%	27.2%	8.6%	21.1%	5.9%	0.6%
1977	2.7%	1.8%	9.8%	23.8%	26.0%	9.0%	20.0%	6.3%	0.7%
1978	2.9%	1.8%	9.7%	22.1%	24.9%	11.7%	20.5%	5.4%	1.0%
1979	4.3%	2.9%	14.3%	29.1%	21.1%	10.3%	14.6%	2.5%	0.9%
1980	7.5%	4.5%	21.4%	26.5%	17.9%	8.3%	11.0%	1.6%	1.1%
1981	8.4%	5.5%	29.6%	19.6%	17.7%	7.2%	9.2%	1.3%	1.5%
1982	13.9%	7.7%	28.5%	23.4%	17.0%	3.1%	4.6%	0.8%	1.1%
1983	15.2%	7.7%	27.1%	23.6%	16.9%	3.8%	4.6%	0.5%	0.6%
1984	11.2%	6.3%	25.5%	25.7%	21.2%	3.3%	6.0%	0.3%	0.4%
1985	9.2%	4.8%	24.7%	19.3%	19.6%	8.3%	8.1%	1.7%	4.3%
1986	11.6%	6.5%	27.5%	23.9%	20.7%	3.1%	3.7%	1.4%	1.6%
1987	11.6%	6.1%	26.5%	25.2%	22.2%	2.7%	4.2%	0.8%	0.9%
1988	7.2%	3.2%	16.5%	24.0%	26.9%	7.9%	11.6%	1.8%	0.9%
1989	5.2%	2.8%	14.9%	23.6%	26.4%	10.5%	14.0%	2.0%	0.6%
1990	4.7%	2.6%	12.8%	17.1%	20.1%	17.4%	21.1%	3.4%	0.9%
1991	4.6%	2.2%	13.4%	19.7%	22.8%	19.4%	15.2%	2.1%	0.6%
1992	2.6%	1.2%	7.5%	11.9%	44.0%	12.3%	16.8%	1.8%	1.9%
1993	1.3%	0.9%	4.4%	6.5%	22.3%	23.5%	36.5%	2.8%	1.8%
1994	1.3%	0.7%	3.7%	5.1%	18.4%	26.5%	39.2%	3.3%	1.8%
1995	0.9%	0.6%	3.5%	5.8%	27.0%	40.7%	17.9%	1.8%	1.8%
1996	0.9%	0.6%	3.4%	5.6%	25.2%	38.5%	20.9%	2.5%	2.4%
1997	1.0%	0.8%	3.8%	6.1%	26.4%	40.7%	16.2%	2.5%	2.6%
1998	1.1%	0.8%	4.0%	6.0%	23.0%	34.6%	23.6%	3.9%	2.9%
1999	1.5%	1.0%	4.7%	5.6%	21.9%	39.7%	18.9%	3.6%	3.0%
2000	1.1%	0.9%	4.4%	5.5%	30.3%	48.3%	6.1%	1.5%	1.9%

Table III.2B

Distribution of Originations by LTV Category 30-Year Fixed Rate Mortgages Only (Percent of Mortgages by Loan Count)									
Fiscal Origination Year	0- 75%	85- 90%	80- 90%	90- 95%	95- 97%	97- 98%	98- 100%	100- 105%	>105%
1975	3.0%	10.4%	14.9%	25.2%	26.8%	6.5%	16.7%	4.0%	0.5%
1976	2.1%	7.0%	10.2%	22.4%	27.2%	8.6%	21.1%	5.9%	0.6%
1977	2.7%	6.6%	9.8%	23.8%	26.0%	9.0%	20.0%	6.3%	0.7%
1978	2.8%	6.1%	9.7%	22.1%	24.9%	11.7%	20.5%	5.4%	1.0%
1979	4.3%	9.0%	14.3%	29.1%	21.1%	10.4%	14.6%	2.5%	0.9%
1980	7.5%	13.6%	21.4%	26.6%	17.9%	8.3%	11.0%	1.6%	1.1%
1981	8.3%	17.9%	29.6%	19.7%	17.7%	7.3%	9.2%	1.3%	1.5%
1982	13.7%	15.3%	28.5%	23.5%	17.0%	3.1%	4.6%	0.8%	1.1%
1983	13.7%	13.9%	27.4%	24.2%	17.5%	3.9%	4.7%	0.5%	0.6%
1984	9.7%	13.0%	25.6%	26.4%	21.9%	3.4%	6.2%	0.3%	0.4%
1985	7.7%	11.6%	24.8%	19.8%	20.4%	8.6%	8.4%	1.6%	4.1%
1986	9.5%	12.7%	27.6%	25.0%	21.9%	3.3%	3.8%	1.3%	1.4%
1987	9.8%	12.5%	26.4%	26.2%	23.3%	2.8%	4.3%	0.7%	0.8%
1988	5.4%	9.5%	16.0%	24.7%	28.2%	8.2%	12.0%	1.8%	0.9%
1989	4.4%	9.6%	14.4%	23.9%	26.9%	10.9%	14.2%	2.0%	0.6%
1990	3.8%	8.4%	12.2%	17.0%	20.4%	18.2%	21.7%	3.5%	0.8%
1991	3.4%	8.3%	12.5%	19.8%	23.4%	20.4%	15.9%	2.1%	0.6%
1992	2.0%	4.8%	7.1%	12.5%	49.4%	13.6%	11.4%	1.3%	1.7%
1993	0.8%	2.8%	3.8%	7.6%	33.3%	34.3%	16.1%	1.6%	2.0%
1994	0.7%	2.5%	3.3%	6.1%	27.6%	41.4%	16.7%	1.7%	1.9%
1995	0.9%	2.6%	3.5%	5.7%	26.7%	42.5%	16.9%	1.8%	1.4%
1996	0.7%	2.5%	3.3%	5.6%	27.4%	44.0%	14.6%	2.0%	1.8%
1997	0.9%	2.9%	3.9%	5.9%	26.3%	43.7%	14.4%	2.2%	2.0%
1998	0.8%	2.7%	3.6%	6.0%	28.1%	43.6%	12.5%	2.3%	2.3%
1999	0.7%	2.5%	3.4%	5.0%	27.5%	51.0%	7.4%	2.0%	2.3%
2000	0.9%	2.8%	4.0%	5.0%	31.4%	50.8%	4.5%	1.1%	1.4%

Table III.3

Distribution of LTV Category by Loan Type (Percent of Mortgages by Loan Count)						
LTV Category	30-Year Fixed Rate	15-Year Fixed Rate	Adjustable Rate	30-Year Streamline	15-Year Streamline	Adjustable Streamline
0-75%	4.7%	22.8%	0.7%	3.1%	6.7%	1.5%
75-80%	2.9%	7.1%	0.7%	1.4%	2.2%	1.3%
80-90%	14.1%	20.9%	5.2%	6.4%	6.3%	6.7%
90-95%	19.0%	11.9%	13.8%	5.9%	5.3%	6.4%
95-97%	30.6%	12.4%	49.1%	7.2%	9.9%	6.9%
97-98%	16.8%	5.5%	23.6%	7.6%	10.7%	8.4%
98-99%	6.1%	5.3%	3.2%	8.4%	9.9%	10.2%
99-100%	3.1%	4.3%	1.5%	54.7%	43.6%	51.0%
100-105%	1.4%	3.2%	1.0%	3.0%	3.0%	4.1%
>105%	1.4%	6.6%	1.3%	2.3%	2.5%	3.5%

Note: This distribution is based on all fiscal origination years combined.

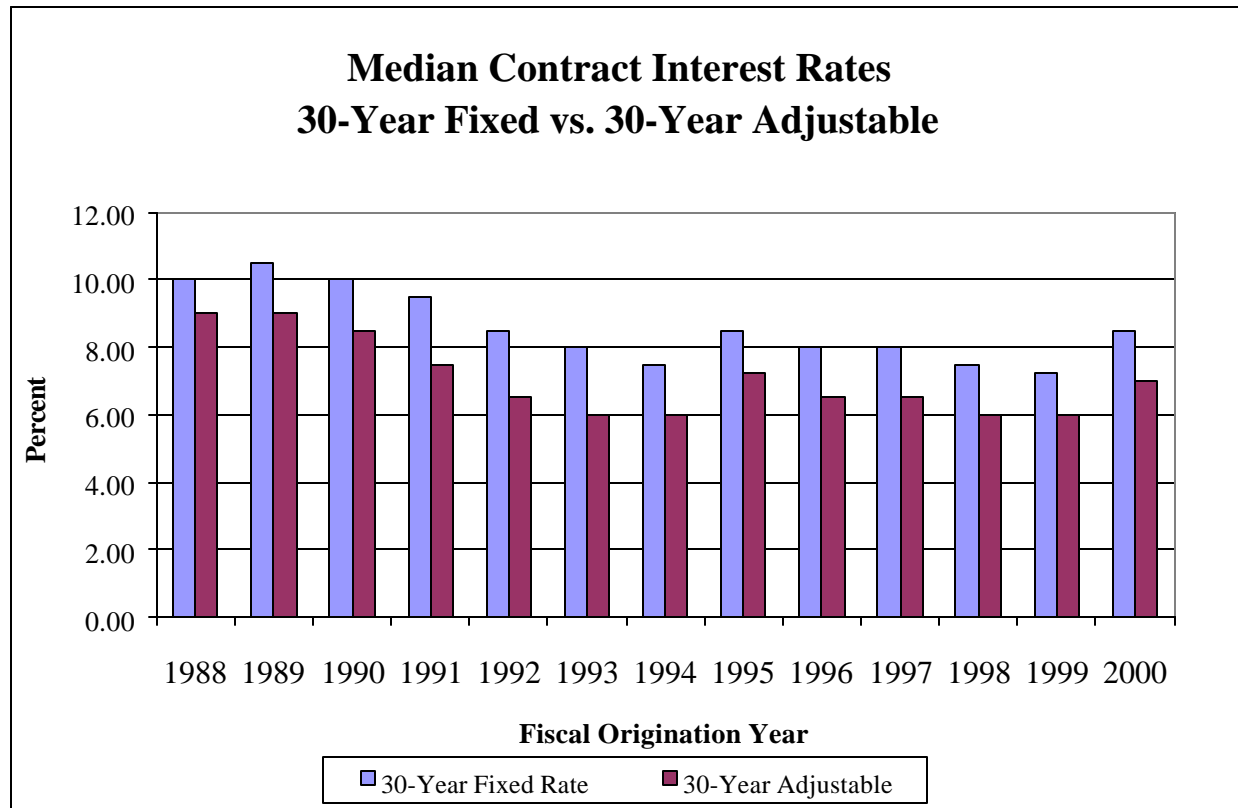
Initial Contract Interest Rate

Table 4 shows the median contract interest rate by loan type. The median contract interest rate on fixed rate, 30-year loans dropped from 7.50 percent in 1998 to 7.25 percent in 1999, but has since increased to 8.50 percent in 2000 (through June 30). Graph 2 provides a comparison between the median adjustable interest rates and the median fixed contract interest rates during the last 13 years.

Table III.4

Median Contract Interest Rates by Loan Type (in percent)							
Fiscal Origination Year	30-Year Fixed Rate	30-Year Streamline	30-Year Adjustable	Adjustable Streamline	15-Year Fixed Rate	15-Year Streamline	1-Year T-Bill Rate
1988	10.00	11.00	9.00	9.00	10.00	10.00	7.33
1989	10.50	11.00	9.00	9.25	10.00	10.50	8.71
1990	10.00	10.50	8.50	8.50	9.50	10.00	8.01
1991	9.50	10.00	7.50	7.50	9.00	9.00	6.47
1992	8.50	9.00	6.50	6.50	8.50	8.50	4.22
1993	8.00	8.00	6.00	6.00	7.50	7.50	3.44
1994	7.50	7.50	6.00	6.00	7.00	7.50	4.54
1995	8.50	8.50	7.25	7.50	8.50	9.00	6.24
1996	8.00	8.00	6.50	6.75	7.50	7.50	5.50
1997	8.00	8.50	6.50	6.75	7.75	8.00	5.63
1998	7.50	7.50	6.00	6.50	7.00	7.00	5.33
1999	7.25	7.00	6.00	6.00	7.00	7.00	4.77
2000	8.50	8.50	7.00	6.12	8.00	8.00	5.79

Graph III.2



Note: The average relativity across 1988 through 2000 of the 30-year adjustable to the 30-year fixed rate is 0.8185.

Original Mortgage Amounts

Tables 5 and 6 shows the original mortgage amounts by loan type and by LTV category. Table 7 through 12 shows the distribution of the original mortgage amounts for each loan type across LTV category. LTV is divided into four categories: high, medium, low and investor.¹

¹ LTV Low is defined by LTV values less than 83%. LTV Medium is defined by LTV values between 87% and 96%. LTV High is defined by LTV values greater than 96%. LTV Investor slightly overlaps LTV Medium as it is defined by more criteria than just the LTV value. It is defined by:

- (1) Living units that are greater than one;
- (2) Borrower type being either landlord, builder, operative builder, escrow commitment or corporation;
- (3) LTV values between 83% and 87%.

Table III.5

Original Mortgage Amounts by Loan Type (in millions)						
Fiscal Origination Year	30-Year Fixed Rate	15-Year Fixed Rate	30-Year Adjustable	Adjustable Streamline	30-Year Streamline	15-Year Streamline
1988	32,908	1,382	1,866	12	1,089	126
1989	37,190	1,090	605	1	638	49
1990	43,869	1,312	376	1	1,225	98
1991	38,378	1,380	1,925	16	1,297	204
1992	29,682	1,079	7,272	653	4,812	988
1993	32,922	1,310	8,785	1,739	22,913	6,051
1994	33,255	1,216	13,418	2,269	22,850	6,625
1995	26,927	504	12,116	298	1,251	414
1996	37,098	644	15,538	1,273	5,909	1,212
1997	36,985	617	22,728	1,754	2,801	559
1998	56,417	788	10,371	2,129	17,352	1,463
1999	78,823	992	4,520	1,146	21,840	2,151
2000	45,230	370	7,154	517	1,530	232
Total	529,684	12,682	106,673	11,805	105,506	20,172

Table III.6

Original Mortgage Amounts by LTV Category (in millions)				
All Loan Types Combined				
Fiscal Origination Year	Initial LTV Category			
	High	Medium	Low	Investor
1988	10,675	4,895	3,883	17,931
1989	13,767	4,006	3,420	18,380
1990	23,764	4,132	3,562	15,422
1991	20,540	4,399	3,062	15,198
1992	24,787	5,757	1,939	12,002
1993	55,537	6,506	2,289	9,387
1994	62,431	6,785	2,403	8,013
1995	30,563	4,269	1,296	5,381
1996	46,078	6,077	1,938	7,580
1997	47,527	7,745	2,580	7,593
1998	65,825	7,709	3,072	11,912
1999	86,873	8,675	3,292	10,631
2000	44,945	4,276	1,479	4,334
Total	533,313	75,231	34,215	143,764

Table III.7

Distribution of Original Mortgage Amounts for 30-Year Fixed Rate Mortgages by LTV Category				
Fiscal Origination Year	LTV Category			
	High	Investor	Low	Medium
1995	74.00%	5.30%	1.52%	19.18%
1996	73.66%	5.74%	1.32%	19.27%
1997	72.54%	6.39%	1.80%	19.26%
1998	72.59%	6.19%	1.60%	19.62%
1999	80.84%	6.15%	1.48%	11.53%
2000	82.68%	6.70%	1.75%	8.87%
All Year Average	76.05%	6.08%	1.58%	16.29%
2-Year Average	81.76%	6.43%	1.61%	10.20%
3-Year Average	78.70%	6.35%	1.61%	13.34%

Table III.8

Distribution of Original Mortgage Amounts for 15-Year Fixed Rate Mortgages by LTV Category				
Fiscal Origination Year	LTV Category			
	High	Investor	Low	Medium
1995	73.25%	7.34%	8.25%	11.17%
1996	75.78%	7.40%	6.33%	10.49%
1997	72.79%	8.09%	8.43%	10.68%
1998	76.15%	7.78%	6.88%	9.19%
1999	78.94%	7.86%	6.39%	6.81%
2000	70.02%	10.13%	10.04%	9.82%
All Year Average	74.49%	8.10%	7.72%	9.69%
2-Year Average	74.48%	8.99%	8.22%	8.31%
3-Year Average	75.03%	8.59%	7.77%	8.61%

Table III.9

Distribution of Original Mortgage Amounts for Adjustable Rate Mortgages by LTV Category				
Fiscal Origination Year	LTV Category			
	High	Investor	Low	Medium
1995	70.31%	6.25%	0.90%	22.54%
1996	70.64%	6.35%	0.92%	22.09%
1997	69.83%	6.66%	1.16%	22.36%
1998	68.95%	6.90%	1.06%	23.09%
1999	68.95%	6.90%	1.06%	23.09%
2000	80.83%	6.03%	1.38%	11.76%
All Year Average	71.58%	6.52%	1.08%	20.82%
2-Year Average	74.89%	6.47%	1.22%	17.43%
3-Year Average	72.91%	6.61%	1.17%	19.31%

Table III.10

Distribution of Original Mortgage Amounts for 30-Year Streamline Refinanced Mortgages by LTV Category				
Fiscal Origination Year	LTV Category			
	High	Investor	Low	Medium
1995	89.71%	4.38%	2.10%	3.82%
1996	86.88%	5.26%	2.00%	5.86%
1997	85.39%	7.34%	2.15%	5.13%
1998	81.59%	6.97%	2.52%	8.92%
1999	74.96%	7.25%	4.60%	13.19%
2000	69.43%	9.88%	6.76%	13.93%
All Year Average	81.32%	6.85%	3.35%	8.47%
2-Year Average	72.19%	8.57%	5.68%	13.56%
3-Year Average	75.33%	8.04%	4.62%	12.01%

Table III.11

Distribution of Original Mortgage Amounts for 15-Year Streamline Refinanced Mortgages by LTV Category				
Fiscal Origination Year	LTV Category			
	High	Investor	Low	Medium
1995	87.14%	3.98%	4.76%	4.13%
1996	82.99%	4.66%	7.00%	5.35%
1997	80.49%	5.11%	10.02%	4.37%
1998	75.00%	5.78%	13.18%	6.04%
1999	70.25%	5.77%	17.27%	6.71%
2000	67.85%	6.51%	19.47%	6.17%
All Year Average	77.29%	5.30%	11.95%	5.46%
2-Year Average	69.05%	6.14%	18.37%	6.44%
3-Year Average	71.03%	6.02%	16.64%	6.31%

Table III.12

Distribution of Original Mortgage Amounts for Adjustable Streamline Refinanced Mortgages by LTV Category				
Fiscal Origination Year	LTV Category			
	High	Investor	Low	Medium
1995	89.34%	5.70%	1.77%	3.20%
1996	90.26%	4.12%	1.25%	4.37%
1997	87.66%	6.47%	1.27%	4.60%
1998	87.81%	5.00%	1.39%	5.80%
1999	76.60%	6.44%	3.99%	12.97%
2000	55.15%	10.47%	7.88%	26.49%
All Year Average	81.14%	6.37%	2.93%	9.57%
2-Year Average	65.87%	8.46%	5.94%	19.73%
3-Year Average	73.19%	7.30%	4.42%	15.09%